

SOME COMMENTS ON TERRITORIAL CONFLICTS AND ECONOMIC ISSUES: THE CATALONIA-SPAIN CASE

Antoni Castells

University of Barcelona, Avinguda Diagonal 690, 08034 Barcelona, Spain
Institut d'Economia de Barcelona, Carrer de John Maynard Keynes 1-11, 08034 Barcelona,
Spain

Abstract: Financial issues are very often behind political conflicts between or within territories. However, conflicts are not limited to the territorial allocation of resources. Three factors appear to have a decisive influence: the distribution of political power between the central and the territorial government (federal/unitary model); the economic conception of the territory prevailing in central institutions (multipolar/radial conception); and the degree of territorial diversity and the existence of «national» minorities. The analysis of the Catalan- Spanish conflict along these three dimensions allows us to reach some preliminary conclusions, which should be tested by further empirical work. The first conclusion is that – when markedly opposite preferences exist between territories concerning the issue of more or less decentralization – the only stable agreement is some kind of specific settlement with this specific territory. The second conclusion is that a federal model appears to be intrinsically incompatible with a radial, centre-based conception of the country.

Keywords: multilevel government, federalism, secession, Catalonia, Spain.

J.E.L. Classification: H10; H70; H77; R1: R5; E6.

1. Introduction: some preliminary remarks

Territorial conflicts and financial issues are always narrowly tied. However, even if territorial conflicts often derive from fierce economic controversies, it would be a very simplistic approach to consider that financial problems are the only, or the essential, explanation of political conflicts between or within territories. Usually they are complementary and there is some kind of interaction between them.

The conflict between Catalonia and Spain is a very good example in this respect. When, in the second half of the XIX century, Catalonia emerged as a powerful industrial region leading the Spanish economy, a political movement of national affirmation arose with special strength: «Catalanism». The origin of this movement was closely associated to socio-economic factors.

It appeared, to some extent, as a reaction of the Catalan society to the incapacity of the State to provide an effective response to the needs that an industrial, bourgeois and working-class society, as it was at that time Catalonia, required: highly qualified education, training schools, communication networks, railways, roads, electrification; also institutional mechanisms to accommodate social conflicts, instead of relying exclusively on repression.

In essence, «Catalanism» had, and still has, a core motivation: to achieve the political power needed to manage the socio-economic problems that Catalan society has to address. This is why, for more than 150 years, the mainstream of «Catalanism» had two basic goals: to achieve the self-government (and the acknowledgement of Catalonia as a nation); and to transform and modernise the State, making it able to provide the public goods required by an industrial society.

In the short spells of autonomy and democracy before the 1936-1939 Spanish Civil War (in the 1910s and in the 1930s during the Second Republic), and especially since 1977 with the establishment of a democratic monarchy after the death of Franco, «Catalanist» parties ¹ have won all the elections held in Catalonia. After Franco's long dictatorship, the democratic Constitution of 1978 set up what has been called «the State of Autonomies», with the creation of the Autonomous Communities (ACs), an intermediate level of government with political power and its own legislative assembly. The acceptance of self-government by the Spanish Constitution was seen at that time as an historical step.

The Constitution acknowledged an acceptable level of self-government to Catalonia, where «Catalanist» parties (both on the right and on the left of the political spectrum) alternate in ruling the regional and local governments. In a sense, the Constitution contained an implicit compromise: on the one hand, mainstream «Catalanist» parties renounced to secession; on the other hand, the main democratic Spanish political forces renounced to the «renaissance» of the traditional unitary state, strongly centralised and deeply impregnated of Spanish nationalism.

Not without problems and conflicts, this agreement has worked for thirty years. However, it has recently broken down and the relationship between Catalonia and Spain is at the end of the cycle that started during the transition from dictatorship to democracy. Many reasons have led to a progressive deterioration of the Constitutional agreement. The most remarkable one is probably the failure in approving a new «Statute of Autonomy» (the By-Constitution of Catalonia) in the second half of the 2000s. At present, a large majority of Catalans does not consider the Constitution as the appropriate framework for self-government. Sovereignism occupies the mainstream of the political spectrum in Catalonia and the project of independence is hegemonic within the space of «Catalanism», a situation which had never happened in the past.

The aim of this contribution is not to analyse the crisis in the relation Catalonia-Spain. Notwithstanding, this conflict provides a good case for studying the many issues that are involved when we examine the links between financial and political problems in territorial conflicts. The key point I wish to make is that both problems are closely interconnected and they reinforce each other: in general, societies wish to achieve more political power to manage socioeconomic problems but they also want to have more economic power to be politically stronger.

¹ For «Catalanist» parties, I mean in this paper the parties that share the essential goals of «Catalanism», as defined before.

2. Government and territory: A double level of analysis

A territorial political community within a broader political community has two ways to pursue the own goals. The first one is self-government, i.e., to have its own government with the appropriate responsibilities and resources to design and implement the policies that the territory requires. The second one is a central government making a policy fitting the needs of this territory. This means that when we examine the roots of the problems or the conflicts of a territory within a state, it is necessary to consider both levels. This is the case of Catalonia. One of the main reasons that explain the origin of «Catalanism» in the XIX century, as previously mentioned, is the inability of the State to supply the kind of public goods and services that the Catalan society needed. The analysis of the economic factors underlying the current political conflict highlights two basic complaints. The first one is related to how the regional government is financed: its political capacity to decide over taxes, the total resources available and the degree of fiscal solidarity. However, there is also a second and very important complaint: the economic policy of the central government and its main economic and financial decisions are based on a radial, Madrid based, conception of Spain. The economic policy design and very relevant economic decisions are therefore not territorially neutral and are very often harmful for the interests of Catalonia. The potential territorial conflict of a political system depends on two factors: a) the distribution of political power between the different levels of government; b) the territorial model applied by the central government and, in general, the underlying territorial concept existing in the central institutions. Two aspects appear to be decisive when examining these factors. The first one is the political power of central government in relation to intermediate or regional governments. On this issue, it is possible to define a spectrum of possibilities, ranging from a highly centralized model (a unitary state with weak regional governments) to a highly decentralized one. The weaker are regional governments in deciding the policies according to the preferences of their territories, the higher the probabilities of conflict. The second factor is the territorial model adopted by the central government. We can define this model considering a spectrum of possibilities that goes from a strongly radial and centre-based model at one extreme, to a multi-polar, territorially neutral, network model at the other extreme. The more radial and centre-based is the model and the bigger is the territorial diversity, the higher is the probability of conflict.

Therefore, it is necessary to consider three essential dimensions when explaining the probability of a territorial conflict: the distribution of political and financial power (resources and responsibilities) between the different levels of government; the territorial model of central government; and the degree of territorial diversity. At one extreme, we could think of a country characterized by strong territorial diversity and a very centralized system, even without intermediate governments, where all the political power is concentrated in the hand of the central government, but whose territorial model is very neutral. The territorial conflict would not be avoided, of course, because the territorial diversity could not be politically represented in territorial governments, but the degree of conflict would be weaker than in a country with a strong radial model. At the other extreme, we could think of a highly decentralized system, but with a central government adopting a very active centre-biased

territorial policy. In this case, the policies tailored to their territories by their own governments could be counter-balanced by the policies of central government; and the conflict still arises.

Now, if we interpret the Spanish case according to these three dimensions, we come to the following conclusions. First, there is a high territorial diversity, i.e., strong «national» minorities, especially in Catalonia and the Basque Country. Second, there is a multilevel system, with intermediate governments, with a high level of budgetary and expenditure decentralization, but with a low level of political decentralization. Third, the territorial model of the central government is strongly radial and Madrid-centred. This is the framework that explains the two kinds of complaints that we mentioned at the beginning of this section: on the one hand, the one concerning the financing of the regional government; on the other hand, the one related to the territorial model of the central government.

In the next section, I discuss the main issues related to the first complaint, while in the last section I develop an analytical approach to examine the stability of the political systems according to the three dimensions.

3. Multilevel political system and territorial conflict: Economic and fiscal aspects

The relationship between different levels of government in Spain provokes two essential kinds of conflicts. The first one, mainly a financial conflict, has to do with the funding of regional governments, and in this section (largely based on Castells, 2014) I examine mainly this point. However, there is a second economic conflict, often forgotten but very important: the real scope for regional government to define the policies in different areas. In different and very important public policy areas, there is not an exclusive allocation of responsibilities to one single level of government; different governments share instead, concurrently some degree of responsibilities with different vertical powers. For example, it is very usual that the central government has the power to pass framework law, and autonomous governments to pass «second-level» laws and exercise executive powers. Therefore, a relatively high budget does not necessarily translate into an equally high political decision making power.

In a way, in many areas, the ACs have a low degree of real responsibility of a rather administrative (instead than political) nature. This is mostly the result of an ambiguous and insufficient constitutional design, but it is also the consequence of the interpretation made by the Constitutional Court about the room and power that the Constitution allows to ACs.

The financing system of the Catalan Autonomous Government (Generalitat de Catalunya) has been a permanent cause of struggle between Catalonia and Spain; this is because it provides only a limited power to the Generalitat to decide over the taxes that are paid in Catalonia (a low degree of real fiscal responsibility) and also because the amount received is considered unsatisfactory.

This is in turn mainly attributed to the excessive solidarity produced by a system that leads to over-equalization. Table 1 shows the effects of implicit and explicit equalization mechanisms contained in the ACs' financing system. While Catalan citizens make a tax contribution per capita to the funding of all ACs that is around 20% above the average, the resources per capita available for the Catalan government are around the average after equalization. Catalonia is ranked third out of fifteen ACs in terms of tax contribution per capita (i.e., before equalization) and only tenth in terms of autonomous resources per capita (i.e., after equalization). This is the reason why many reform proposals have been made since long time ago, taking as an

example federal countries. The agenda of the federalist option is quite well known. Regarding its economic and financial aspects, it could be summed up in four main points.

The first one is fiscal responsibility. The essential principle is that Autonomous Governments' spending should be largely funded by taxes levied by these governments and not by grants coming from Central Government.

In addition, they should have both normative and administrative responsibility for these taxes. Although it is well known that for some taxes (corporate tax, VAT) large limitations exist for having full fiscal responsibility, there is significant scope to improve the present situation.

The second point is equalization. Most federal countries have explicit equalization systems. An explicit partial equalization mechanism was adopted in Spain in 2009. However, the reform was so cautious and contained so many safeguards that its effects were unsatisfactory and, as previously mentioned, the system produced (and still produces) a strong degree of overequalization. There is therefore still plenty of scope for introducing further substantial improvements. The third point concerns vertical fiscal imbalances between different levels of government, since the ratio potential revenues/expenditure needs for central government is much larger than for autonomous governments. A new system should involve matching expenditure needs with potential tax resources across all ACs. Furthermore, some regular mechanism should be provided for updating the balance between relative tax potential and relative expenditures needs of ACs and central government.

Tab. 1. Equalization effect of the autonomous financing system in Spain* (2015)

	Tax capacity	Total revenues
Andalusia	77.8	93.6
Aragón	113.8	116.9
Asturias	103.4	112.5
Balearic Islands	121.7	98.7
Canary Islands	41.1	91.6
Cantabria	110.6	130.3
Castille and Leon	98.8	116.4
Castille Mancha	82.3	104.6
Catalonia	118.6	98.5
Extremadura	73.6	118.0
Galicia	90.3	110.8
La Rioja	103.2	123.0
Madrid	140.6	69.0
Murcia	82.2	93.0
Valencia	95.5	92.1
Total	100.0	100.0

Note: (*) Autonomous communities average per capita = 100.

Source: Own calculations based on data from the Spanish Ministerio de Hacienda y Función Pública.

Finally, the fourth point is the participation of Autonomous Governments in decision-making by the State. A large part of tax and economic regulations as well as basic laws and economic decisions affecting autonomous responsibilities are undertaken at the central level only. The actual autonomy of territorial governments is limited by this constraint. In some countries, this imbalance is partially corrected with an upper legislative chamber (the Senate) which

represents territorial interests. While different implementations are possible (for example, the German and United States formulae are quite different), the principle is the same. Some attempts have been made in Spain for reforming the Senate in this way, but the results so far have been disappointing.

The models of federal countries with similar political, economic and social characteristics (i.e., Canada, Germany, Switzerland and the United States; maybe also Austria, Australia and Belgium) are a good guide for these changes. Although these countries certainly are all very different in many aspects, in general terms they can provide examples on how to deal with the four points discussed above and to define an agenda for a federal reform of the Spanish Constitution. A large apparent consensus could exist on principles, less so on details and on their implementation. And above all, it exists in Spain a very important divide about the model of distribution of political power between different levels of government. This is the issue discussed in the next section.

4. Two conceptions about the territorial distribution of political power

Underlying the territorial conflict in Spain there are two opposite conceptions about the crucial issue of the distribution of political power between different levels of government (this section is partially based on Castells, 2017). According to a unitary conception, the whole political power is concentrated in one level of government only, the central government. There are, of course, many different unitary states, with very different degrees of decentralization. Nordic countries, for instance, have powerful local governments responsible for providing essential public services. But they have administrative, not political power, always concentrated in the hands of central government. Incidentally, secessionist proposals share, in some way, this conception of the territorial distribution of political power. They will also concentrate this power in the territorial government that would become, when independent, also a central government. By the contrary, according to a federal conception, the political power is shared between different levels of government. De facto, federal systems are based on the notion of shared sovereignty. The tension between «shared rule» and «self-rule», between equality and freedom, is inherent to these political systems. There is always a «trade-off» between the two basic goals of freedom (autonomy) and equality. It would be impossible to have full equality among all citizens in the country (which is the «holy goal» of a unitary state) without sacrificing the autonomy of the intermediate governments.

And it will be impossible to accept the full autonomy of territorial governments (i.e., independence) without fully sacrificing the goal of equality. This is why the stability of a federation crucially depends on its ability to find the right balance between these two goals; in institutional terms, between «shared rule» and «self-rule».

These two different conceptions of the distribution of political power have a direct translation to the field of the financing system of territorial governments. The first one leads directly to the conclusion that the taxation power relies almost exclusively on the central government. According to this idea, there is no more than one fiscal relationship: the one that citizens in any region hold with the central power, which defines the essential elements of the taxes, and applies those elements according to a principle of equality among all citizens. According to this conception, there are only two relevant issues regarding the ACs' financing: first, determining what portion of the total resources (derived, in essence, of course, from state taxation) goes to

the central government and what portion goes to the governments of the ACs; and, second, establishing criteria for the further allocation to each AC.

According to the opposite conception, territorial governments have political power. In fiscal terms, what defines a democratic government is that it collects taxes from the citizens, in order to provide them services, and that only the citizens under its jurisdiction decide on both essential questions. In a federal system this basic principle applies to every level of government, each one within their specific jurisdiction. All governments have fiscal responsibility.

The citizens involved in the respective jurisdiction decide which mix of taxes and services better fits their own preferences. In general, in a politically integrated system (i.e., in a federal state) this basic principle has two important limits. Firstly, there is no full fiscal sovereignty for intermediate governments (and often neither for the central government), because market integration requires some kind of fiscal integration. Secondly, federal systems have often explicit or implicit equalization mechanisms between territories; and these mechanisms are possible only if a shared feeling of being part of the same political community exists.

Therefore, different visions of financing regional governments strongly depend on these two conceptions of the distribution of political power. Either of the two models can prove satisfactory if there is a broad political and territorial consensus as to which is preferred. This is what happens in many federal and unitary countries. However, it may occur that such a consensus is not forthcoming. When disagreement is more or less homogeneous across all the territories that make up the political community (i.e., the preferences for one or the other model are relatively similar across different territories), there are only two possible ways out: a) the imposition of one model at the expense of the other, with the obvious ensuing tensions and instability; b) the adoption of a hybrid model resulting from a combination of the two models. This is not a tragedy: between a «pure» unitary model and a «pure» federal model, there is a large spectrum of possibilities from which to choose.

However, when the lack of consensus can be clearly delimited in geographical terms (i.e., in some regions there is a clear preference for one model and in other regions for the other), then the possibility of adopting specific solutions in certain regions could be an optimal solution and should be considered. In short, this is what has happened in more than one country (Scotland in the UK; Quebec in Canada; Flanders in Belgium) when this problem has occurred, and it has served to maintain the stability of the union and to reduce calls for independence. And, above all, it has served to satisfy the aspirations of different regions that also have different preferences as to how political power should be shared between the common government and self-government. Apparently, this could be the case for Spain in relation to the Catalan conflict, although the possibility of a specific deal for Catalonia has always been dismissed by the main Spanish political parties². I come back again to this point below.

² The map of political parties is very different in Catalonia and the Basque Country compared with the rest of Spain. Popular Party and Socialist Party, the two biggest parties in Spain (and overwhelmingly hegemonic for more than forty years), are currently only the fifth and the third, respectively, in the Catalan Parliament, where they have together the 20% of total seats. In the Basque Parliament, they are, respectively, the fifth and the fourth parties, and have jointly the 24% of the seats.

5. Constitutional design, market integration and the limits of sovereignty

The Constitution is the benchmark that includes the design of institutions, the rules that define the distribution of power between the different levels of government and the rules on how to share that power. As discussed at length in Castells (2013), the constitutional definition and design are therefore crucial: the allocation of responsibilities and resources between the different levels of governments, and their effective quality (the real power they allow); the specification of the two limits I have mentioned, fiscal sovereignty and equalization. The constitutional design will be usually a key factor to determine the stability of a country or, on the contrary, to incentive polarization between centrifugal and centripetal forces.

One especially relevant problem arises when there are «national minorities », which means that there is a regional diversity located in some specific territories, while a strong uniformity characterises all the other ones. In this case, two constitutional points are decisive: firstly, how far the constitutional rules are open to interpretation concerning the protection of «national minorities »; secondly, how difficult is to reform the Constitution. The more open to interpretation are the rules, the easier it is that – once the Constitution has been approved – the majority will adopt a restrictive interpretation unfavourable for «national minorities». On the contrary, when the Constitution is less open to interpretation and with reduced leeway for reforming, these minorities are more protected.

Another essential issue is the real scope of fiscal sovereignty. Since the possibility of achieving fiscal sovereignty is often mentioned as an important potential benefit for a seceding country, it is needed to analyse the real net gains from full independence against the gains obtainable from being an intermediate state in a federal system. The crucial point is that economic integration places severe restrictions to the autonomy of politics. The effectiveness of many public policies (either regulatory, services provision, macroeconomic or tax policies) crucially depends on how far the territory where market activity extends its effects exceeds the boundaries of governments.

Market integration without political integration usually leads to the progressive irrelevance of public policies. This conclusion applies both to intermediate governments in a federal state (and, often, also to federal government) and to the governments of small independent countries (and, also, very often, to not so small countries). Neither the intermediate governments of a federal state nor the governments of independent countries have full political sovereignty when compared to the power of markets that exceed their boundaries.

There is an obvious direct correlation between the loss of political sovereignty and the degree of market integration. Stronger market integration makes less likely to have real fiscal sovereignty for governments whose territorial jurisdictions are smaller than the territory where market decisions extend their effects. In this case, only by sharing political power through an upper level of government it is possible to have effective political power.

6. «National» minorities, opposite territorial preferences and constitutional design: Some elements for analysing the conflict Catalonia/Spain

We now have some additional elements for analysing the conflict Catalonia/Spain. Spain is a very clear example of a country where the preferences for the two models (federal/unitary)

are markedly opposite between the different territories. While in Catalonia and the Basque Country there is an overwhelming majority that wish more autonomy (and, a relevant part, also political independence), in the rest of Spain there is a majority that feels good with the current situation or even would approve a more centralized system (even without any kind of autonomy). The Tables 2 and 3 show very interesting figures in relation to this point:

- i) 45.9% of citizens in Catalonia feel themselves exclusively Catalan or more Catalan than Spanish, while in the rest of Spain the same percentage (changing Catalonia for the corresponding region) falls to 11.2% (see Table2). On the contrary, 12.6% of citizens in Catalonia feel themselves exclusively Spanish or more Spanish than Catalan, while in the rest of Spain this percentage is 25.0%. These percentages would be even lower (higher, respectively) excluding the Basque Country from the rest of Spain, where the figures are similar to Catalonia.
- ii) 63.3% of population in Catalonia wishes more decentralization (an independent state, a federal state or more autonomy in the current system of ACs) (see Table 3 panels B and C), while in the rest of Spain the percentage falls to 18.1%. On the contrary, while in Spain the 33.9% of population prefers less autonomy (including no autonomy at all) (Table 3 panels A and C), in Catalonia this percentage is only 5.8%. The same considerations on excluding the Basque Country apply also in this case.

These figures show a sharp asymmetry between models of political power distribution desired in different territories. While in Catalonia and the Basque Country there is a clear preference for a strong decentralization (even independence), in the rest of Spain there is a majority which rather prefers a unitary (and even a more centralized) State. The 1978 democratic Constitution tried to acknowledge this very asymmetric reality, establishing two different categories of autonomy and distinguishing between «nationalities » and regions. But this distinction was very quickly watered down, with the generalization and homogenization policy applied already in the 1980's (the «café para todos», «coffee for everybody», policy 3) to all ACs, except ³ the Basque Country (where a specific framework is established in the Constitution).

At that time, a kind of hybrid between unitary and federal model was created. However, this hybrid model did fit neither the preferences of Catalonia (that hoped for a more decentralized model), nor the preferences of the rest of Spain, which desired a less decentralized model. Incidentally, this allows to draw an interesting conclusion: a hybrid/blended model could be a good solution when the preferences for one or the other model are homogeneously spread across all the country, but not when they are very polarized between territories.

This hybrid has shown to be not a stable solution and, over time, it has slowly evolved into a rather unitary, low quality decentralized model. Somehow, the more unitary preference

³ It should be noted that, after the decision of the Spanish government on October 21, 2017 (that was ratified by the Senate on October 27), suspending the Catalan autonomy, the result will be that all the Autonomous Communities will have coffee, except Catalonia.

shared by the majority in the rest of Spain was applied everywhere, including Catalonia, where there is a clear preference for a more decentralized model (Tables 2 and 3). A second interesting conclusion is therefore that when the constitutional framework is ambiguous, i.e., it allows a wide room for interpretation, the initial compromise set up in the Constitution protecting the «national» minorities may progressively weaken, according to the preferences of the «national» majority. This leads to a very unstable scenario, with the radicalization of the conflict and the rise of secessionism.

Tab. 2. Sense of nationhood in Catalonia and in the rest of Spain (%)

	Spain	Catalonia	Rest of Spain
Only Spanish	15.6	7.6	17.1
More Spanish than Catalan/Regional*	7.4	5.0	7.9
Stronger Spanish feeling	23.0	12.6	25.0
As Spanish as Catalan/Regional*	53.8	36.7	57.1
More Catalan/Regional* than Spanish	10.6	22.6	8.3
Only Catalan	6.2	23.3	2.9
Stronger Catalan/Regional* feeling	16.8	45.9	11.2
Others	6.4	4.8	6.7
Total	100.0	100.0	100.0

* In the rest of Spain, corresponding region.

Source: CIS (2017, 17), CEO (2017, 54).

Tab. 3. Preferences about the territorial model in Catalonia and in the rest of Spain

A Spain (preferences) (%)

Only a Central Government without autonomies	18.9
Autonomous Communities with less autonomy	10.5
Autonomous Communities with the present level of autonomy	36.8
Autonomous Communities with more autonomy	15.8
Autonomous Communities with right to become independent states	9.6
Others	8.4
Total	100.0

Source: CIS (2017, 17).

B Catalonia (preferences: «Catalonia should be») (%)

A region of Spain	7.0
An Autonomous Community within Spain	28.5
A State within a Spanish Federal State	21.7
An independent State	37.3
Others	5.5
Total	100.0

Source: CEO (2017, 59).

C Degree of decentralization (preferences) (%)

	Spain	Catalonia	Rest of Spain
More decentralization	25.4	63.3	18.1
Present decentralization	36.8	25.5	39.0
Less decentralization	29.4	5.8	33.9
Others	8.4	5.4	9.0
Total	100.0	100.0	100.0

Source: For Spain, Table 3 (A); for Catalonia, CEO (2017, 58).

An overall conclusion, taking Catalonia as a case study, is that when very sharp differences exist between the territories concerning the preferences for a federal or a unitary model, the only stable solution is to reach some kind of bi-lateral, specific, settlement with this territory. On the contrary, the implementation of a uniform and generalised formula presents two big problems: first, it fits neither the «national» majority nor the «national» minority preferences; second, over time this formula may very easily evolve into a clearly unitary and more centralized model according to the preferences of the majority. This evolution could be mitigated if, on the one hand, the constitutional rules protecting the minority rights were clearly established and, on the other hand, it was very difficult to change these rules. Unfortunately, this is not the case of Spain.

7. Final comments: Conflict and stability in different models of territorial distribution of political power

When analysing the potential territorial conflict of a political system it is necessary to consider three main variables: the distribution of political power in a multilevel system; the territorial conception of the central government; and the degree of territorial diversity.

First, we have to assess which is the distribution of political power between different levels of government. Related to this point, we can consider a spectrum of possibilities ranging from a highly decentralized system (pure federal system), where territorial governments have full responsibility in the main fields of public activity, to highly centralized system (pure unitary system), where all the political power is concentrated in the hands of central government. Within both models, we could consider an additional sub variable, depending on the presence of bilateral agreements between the central government and some specific territory.

Second, it is necessary to consider the territorial conception of the central government (and, in general, of central institutions). Related to this point, we can define a spectrum ranging from a highly centralist system (pure radial model), to a neutral, multi-polar system (neutral model). Finally, it is necessary to consider the degree of regional diversity between the different territories. In particular, we have to assess if there exist very marked «national» minorities.

In this section, I, firstly, propose a classification of models combining in a binary way each one of these three dimensions and then suggest real country examples for each of the eight resulting types; and secondly, I make some final considerations over the stability of different models and their potential risk of generating conflict.

According to the three dimensions described above, we could obtain eight territorial models:

- I. Federal/Neutral/No «national» minorities (USA, Germany, Australia)
- II. Federal/Neutral/«National» minorities (Belgium, Canada, Switzerland)
- III. Federal/Radial/No «national» minorities (not found?)
- IV. Federal/Radial/«National» minorities (not found/Spain?)
- V. Unitary/Neutral/No «national» minorities (not found?)
- VI. Unitary/Neutral/«National» minorities (UK? Italy?)
- VII. Unitary/Radial/No «national» minorities (France)
- VIII. Unitary/Radial/«National» minorities (Spain? UK? Italy?)

The allocation of countries made to these eight «archetypal» models is, obviously, an oversimplification. It should be considered strictly as an example. In reality, there are not «archetypal» cases but rather «hybrids» combining elements of different models. Therefore, the allocation to one precise category is based on its clear predominance. I believe necessary to specify three points concerning this exercise: first, I include in the classification only advanced countries, with a large common base of similar political, social and economic characteristics. Second, I consider as «national» minorities the standard cases, where there are strong territorial parties and cultural and linguistic differences. Should Bavaria be included in this category, Germany would move from model I to model II. Third, some countries (Italy, Spain, and the United Kingdom) are included in different categories or with a question mark, because their allocation is not unambiguous. Spain, as I mentioned above, is really a hybrid between the unitary and the federal model. The United Kingdom is a unitary state that recognizes «national» minorities, which enjoy wide autonomy.

This is why it would be very simplistic to include it only in category VIII. Finally, also the Italian case is likely to be a hybrid in the three dimensions considered. It is a «soft» unitary state, with «soft» «national» minorities, and it is «softly» neutral concerning the territorial conception.

This classification leads to some very preliminary remarks about the compatibility of the different combination of dimensions and the viability of the different resulting models. Apparently, two important conclusions arise. The first one is that federal models appear incompatible with a radial conception of the national territory. There are no examples of federal countries with a radial, centre-based model (Austria is an exception for very particular reasons, and it has not been included in the sample). In my view, if Washington were New York (or Los Angeles, or Chicago), United States could not be a federal state; the same is true for Canada if Ottawa were Toronto (or Montreal, or Vancouver); and Australia if Canberra were Sidney (or Melbourne). This is because the central government would not have been a neutral actor in the competition between territories for leading, in the many and complex fields where that happens, the national economy. Symmetrically to this conclusion, it appears, in general, that unitary models are associated with a radial conception of the territory. United Kingdom could be a special case, as better understood after considering the second relevant conclusion.

The second relevant conclusion is that institutional design is adapted to the existence of «national» minorities, through specific or bilateral deals when they are highly concentrated in only one part of the country (Quebec in Canada, Scotland in United Kingdom) or via a more general institutional mechanism when they are spread across the country (Switzerland, Belgium). This is why the case of the United Kingdom is very special: even if it were considered a radial model, the nations, and peculiarly Scotland, enjoy a special deal that allows a high and differentiated degree of autonomy; and partially counterbalance the potential effects of a radial model very focused on London.

Spain is a very special hybrid of unitary and federal system, with a radial model and «national» minorities, in the case of Catalonia without any kind of specific deal⁴. This is an explosive blend, with no analogies in other countries, as we are recently experiencing. Firstly, because federalism and radial model do not match very well, they are not a stable combination, and

⁴ This is not the case for the Basque Country, where a specific framework is established in the Constitution, especially concerning the finances of the Basque Government

the consequence is a clear trend toward a low quality, unitary biased, decentralized system. Secondly, the Catalan «national» minority does not have a specific acknowledgement in the institutional design. Both problems interconnect if we take into account that there is a sharp asymmetry between the preferences for a more federal or a more unitary model in Catalonia and in the rest of the country, respectively.

To sum up, I should stress the close relationship between economic and political issues in territorial conflicts, particularly within a state. These conflicts take very often an economic or financial expression, though there are usually powerful underlying political factors. Some of them are particularly relevant: the distribution of political power between the different levels of government; the existence of «national» minorities; the constitutional design; and the territorial conception of central institutions.

Acknowledgments

I wish to thank the Editor of the journal Giuseppe Marotta, and the two Guest Editors of this Special Issue, Daniel Montolio and Gilberto Turati, for their comments which allowed me to improve a preliminary draft of this paper.

References

Castells, A. (2013), The relation Catalonia/Spain at the crossroads: Financial and economic aspects of the scenarios ahead, Conference on Economic Aspects of Constitutional Changes, Edinburgh, University of Stirling.

Castells, A. (2014), Catalonia and Spain at the crossroads: Financial and economic aspects, Oxford Review of Economic Policy, 30(2), 277-296.

Castells, A. (2017), Financing Autonomous Governments in Spain: Two Alternative Visions, IEB's Report, No. 1/2017.

Centre d'Estudis d'Opinió, CEO (2017), Baròmetre d'Opinió Política. 1a Onada 2017, Barcelona, Generalitat de Catalunya.

Centro de Investigaciones Sociológicas, CIS (2017), Barómetro de Septiembre.